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Willson, Beckles

America and silver

London

[1935]

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AMERICA AND SILVER

(Silver is decidedly on the tapis at the present moment. Although it has many enemies in the City, who dread the prospect of bimetallism, it is forgotten that our Dominion of Canada is a great silver producer, even greater than the United States; so that the following article by a well-known Canadian, Colonel Beckles Willson, who has closely studied the question, puts the American Silver policy in what will be for most English readers a new and stronger light.)

LONDON:

(Reprinted from THE PUBLIC LEDGER, July 27, 1935.)

AMERICA AND SILVER

(From THE PUBLIC LEDGER, Saturday, July 27, 1935.)

IT would not be easy in the annals of political or economic agitation for the past two centuries to find a parallel to the present curious aversion of the British Government, press and public from the Silver Money movement, now in progress in America. In silver as bullion or as the handiwork of the silversmith, they are prepared to take an intermittent, sometimes even a vivacious interest; but with silver as currency they will have nothing to do, despite the poetic enticement of a Silver Jubilee year.

Yet one might reasonably have expected that a topic which is such a burning one elsewhere, and with so many implications for British commercial welfare would have received more active and sympathetic consideration; certainly, that the numerous British advocates of silver's rehabilitation would have hastened to applaud America's bold policy of restoring the value of the white metal. Such an expectation has not been realised.

What we have seen, in general, is **silence** on the part of the British silver protagonists, and in both the financial and the popular press, a steady detraction and misrepresentation of America's policy which has completely deceived the public.

Indeed, if there was ever an issue where the old Continental reproach of British hypocrisy appears justified, it is the disingenuous behaviour of the British press towards silver during the past eighteen months. President Roosevelt's silver-purchasing programme is rarely ever mentioned in either news or editorial columns save in terms of disparagement. By even the leading organs, such as the "Times" and "Morning Post" it is dismissed as a regrettable political manoeuvre which has produced monetary confusion and economic distress in China, Mexico, and other silver-using countries, and which the Roosevelt administration will, if it is wise, repeal as soon as possible.

In vain have some of those who are neither victims nor agents of the City's gold obsession, who are familiar with the aims, the strength and the sincerity of the American Silver movement, and of its repercussions in other countries, notably China, endeavoured to expose the many falsehoods current in the newspapers. Their protests and denials are almost uniformly ignored.

It is not surprising, therefore, if public opinion has thus been led wholly astray, if certain politicians and men of affairs who have hitherto favoured the remonetisation of silver should be seized with misgivings. Take the case of Sir Robert Horne, an ex-Chancellor of the Exchequer. Three years ago he was impatient for immediate action. "We all know," he declared, in a public speech,

"the appalling results brought upon the world by the existing mal-distribution of gold. Are we to leave things to drift or are we to take action by which the gold of the world will become supplemented by the available silver supply?"

Now, his ardour is cooled, the campaign of misrepresentation has had its effect, and we find this same statesman writing:

"The difficulty about doing anything useful with regard to silver at the present time is that **America's action has been so intemperate and has been so obviously founded on political rather than monetary considerations**, that opinion which otherwise had been favourable, has become antagonised."

But is this charge true? Such a view of Mr. Roosevelt's policy, widely disseminated by the gold monometallists and constantly reiterated by the British press, is easily refuted by the facts.

First of all, it was by no means merely to placate the silver-mining interests of the United States that the President and his advisers launched the silver-purchasing programme in December, 1933, expanded it in August, 1934, and are now proceeding to still further expansion.

It was the result of a long-promised, long-discussed and much-needed plan to restore silver to its former place in the currency, not of America alone, but of all countries, as the best means of raising commodity prices and of increasing purchasing power; and it was also an **essential preliminary to international currency stabilisation**. In the language of the President's second Silver Message to Congress:

"The increased use of silver is the only step that will lead to the foundation of a sound and adequate currency system."

Moreover, it was only after protracted debate that Congress sanctioned the con-

tinuous purchase of the metal, until it shall amount to 25 per cent. of the total metallic base of the currency. Contrary to a widespread belief, silver production is, in the United States, an unimportant industry, inferior in value to the peanut crop or even the cigar-box industry, and is incapable of any considerable expansion.

Numerous active and earnest bimetalists in America do not hail from the Western mining States at all or possess any financial interest in silver, being Eastern business men, bankers, and monetary experts. The new policy has gone on from strength to strength, making new converts as its character and aims become better known and the beneficent effects which must follow are realised.

Despite the assertion of the London "Times's" New York correspondent that "it is hard to find anywhere intelligent persons who can give any rational explanation of the Administration's silver policy," that policy has been repeatedly expounded by the President, the Secretary of the Treasury and leading members of Congress. It may be summarized thus:

"Through silver we can accomplish all the monetary reform possible. By the adequate use of silver we can expand the currency and at the same time we can increase the value of silver bullion throughout the world. By increasing the value of silver bullion we will thereby increase the value of the silver monetary units in use by the silver countries and thus increase the value of production generally."^{*}

* Silver Memorandum by Senator Burton K. Wheeler, April, 1935.

There is, it is further pointed out, not gold enough alone to serve as the base for the currency and credit structure of the several nations. With the United States in possession of half the world's gold they are in a better position to promote the stabilisation of monetary units and bring about the universal use of silver, along with gold.

As to the effect of the Roosevelt policy upon other countries, the press still continues to print messages from New York and Shanghai correspondents reporting the damage and distress wrought by America's silver policy in China.

Our feelings have first been harrowed by despatches headed, "China's Plight," "Distress in China," "Chinese Government in Despair," "China Appeals to the President," etc.

Then the leader writers and financial commentators seizing upon these, have embroidered whole columns of reprobation, warning and prophecy. Mr.

Roosevelt and the terrible Silver Bloc have been held up as wanton aggressors against the financial peace and prosperity of the Chinese population, bringing starvation and misery to stalk through the length and breadth of that vast land.

It recalls to some of us the old Liberal denunciations of Abdul Hamid over the Armenian massacres, or of Leopold II and Congo slavery. Nothing the old Tsars did to depress and persecute the Russian moujiks could be worse than what President Roosevelt in his "crazy Silver obsession" is inflicting upon the unhappy Chinese peasantry. Nor was the evil confined to the natives. There was a sensational despatch in the "Daily Express," with headlines across three columns, "Britons Driven to Suicide by China's Silver Crisis":

"An abnormally large number of the Hong Kong Government's white servants—policemen, Navy men and Army men—are taking their lives as the United States policy of buying as much silver as possible appreciates the local dollar. The public servants are paid in sterling. But as the dollar soars they find their salaries in Hong Kong are worth less than half what they were a year ago."^{*}

* At the close of the article was a note to the following effect: "A 'Daily Express' representative was informed at the Colonial Office that they had no knowledge of suicides in Hong Kong due to currency rates. Some time ago, salary provisions were made to meet the rising value of American dollars." Some other cause, therefore, for the suicides must be found. Perhaps it was the foreign policy of the British Government or the Franco-Russian Treaty!

How, then, could England, which had once raised its powerful voice against these iniquities, stand by silent while trade and industry and its own nationals were being deliberately done to death on the shores of the Yellow Sea?

But the newspapers which printed these absurdities were reluctant to let the truth appear and it was not until April 30th last that the "Financial Times" printed a protest from Mr. J. M. Erskine, a prominent City financier and one well-versed in Chinese affairs:

"The present allegations against President Roosevelt's policy of fairplay for silver must be affording considerable amusement to anyone acquainted with the facts. In China, during recent years, the price of silver has been so low that the peasant in time of famine had no alternative but starvation; for when silver is low in China foreign wheat and rice are high. Now, thanks to the rise in silver, such vital commodities are steadily becoming more and more within the Chinaman's reach. The Roosevelt policy, therefore, though harming temporarily a few bankers and exporters, is raising the

standard of living throughout the whole Orient."

If any reader doubts this, let him turn to the "Shanghai Evening Post" of April 27th last, containing the following leading article:

"One would think to hear the clamour concerning the Washington silver purchase policy that not only was America single-handedly boosting the world-price of silver to a point beyond endurance, but likewise this was ruining China and constituted the sole source of Shanghai's troubles. . . . The actual root of China's life is the collapse of a real estate boom, which was artificially developed as silver went down. . . . America wished to see silver stay on a monetary basis, but other countries moved in such fashion as to reduce it to a commodity basis from which the United States is now endeavouring to remove it. It is not to the interest of China to have its currency on a commodity basis; in time, the present American efforts may prove of very real benefit to China by restoring the relatively stable and rational aspect of silver. The international propaganda which is striving to place Uncle Sam in the role of selfish villain intent on the ruination of others for his sole gain, is a grotesque misrepresentation which may suit the purposes of some, but which is thoroughly unfair. In past years Chinese goods sold freely with much higher silver prices than at present prevail; price is not the determining factor, but world demand, and the world is unhappily suffering from a general depression which combines with tariff barriers to keep Chinese goods from finding buyers at any price."

Briefly, it may be said that the current myths regarding China and silver emanate from a numerically small, but financially powerful, section of the Shanghai community. This section, composed of bankers, foreign exporters and real estate speculators, control an influential newspaper, the "North China Daily News," which affords "facilities" for the correspondents of several foreign journals.

Naturally, the foreign banking clique feels a solicitude for its vested interests. Their antagonism to higher-priced silver is owing to a fear that the white metal will eventually pass into the hands of the American Government and their own long control of the movements of silver come to an end.

The Chinese authorities are perfectly well aware of this, and it has been forcibly expressed lately by Mr. T. V. Soong, formerly Finance Minister. A gradual rise in the price of silver until its stabilisation at a definite ratio would unquestionably strengthen the resources of the Nanking Government and promote native commercial prosperity.

One frequently hears in British official circles the remark that the price of silver should naturally follow the trend of commodity prices in general and not be the result of Government interference and manipulation. It is a pity this maxim was not observed by the authorities when silver was taken from Syria and Indo-China at the cost of bloodshed and revolution to both. Never a word of British reprobation when silver (some 17 million ounces) was brought to Shanghai by a man-of-war from Saigon, creating consternation in China and affecting seriously the world price of the metal. Again, did the Hilton Young Currency Commission of 1926, which recommended the sale of India's silver, in defiance of the grave warnings of the highest authorities, believe in a "natural trend in the price of silver?"

At any rate, we know that when China was thus made a victim, when the East was sundered from the West through cheap silver, and a period of commercial depression set in, China's official protest was met both in London and Geneva with bland platitudes and a refusal to interfere with currency matters.

In 1930, Sir Ernest Thompson was sent to China at the head of a Commission. He was strictly enjoined not to discuss silver, which was excluded from the terms of reference. Yet, despite this official injunction, Paragraph 303 of the Thompson Report runs as follows:

"In our opinion every means should be sought of bringing about the stabilisation of silver and so of restoring to China her full purchasing power. Only by international agreement can this result be attained, and we feel that Great Britain should take a leading part in endeavouring to secure such agreement."

It was added:

"The continued depreciation of the value of silver has enormously reduced the purchasing power of China, and if it continues will hasten the growth of industries in China, the manufactures of which will compete with imported products from Great Britain."

Has not this prophecy proved true?

In the Memorandum of the British Delegation to the recent International Cotton Congress at Rome it is stated: "China has also suffered by the closing of British markets against her products and by the general increase in world restrictions," and by a deflation in internal wholesale prices of 23 per cent., a fall identical with that of the gold wholesale index of France.

This same paper on "Silver in Relation to Monetary Policy" is a really important

document, yet it was received almost in silence by the British press. One passage must have been especially unpalatable to the monetary "Die-Hards":

"The financial press argues that the American authorities must hold themselves responsible for all the sufferings entailed upon the Chinese people.

"This is the first occasion since the War on which the old monetary school has enlarged on what they have described as the 'horrors' of deflation. Though every other country in the world has suffered much worse deflation than China has suffered, China is singled out for their condemnatory allusions to deflation. . . . At the same time they are bending all efforts and mobilising their considerable influence for the reinstitution of gold standards and are admonishing nations, other than China, to pursue the course of economic deflation!"

The Cotton Spinners Federation is repelled by such hypocrisy and resents the changed attitude of the "Manchester Guardian," formerly a champion of silver remonetisation. Mr. W. M. Wiggins, ex-M.P. and chairman of the Silver and Monetary Policy Committee of the Federation, writes that "readers will detest such evasions of the vital issues as are now customary on monetary questions in this newspaper."

Such evasions are now unhappily characteristic of the entire British press, the "Times" not excepted. "Immersed," writes Lord Desborough, "in the gold obsession, they seem quite unable to give a fair account of what is going on in the world with regard to silver."

Yet they never lose an opportunity of impugning the sincerity of the President's policy nor in doubting its continuance, and they have, as I have shown, lent themselves to falsehoods as to the effect of those measures upon China, while suppressing all refutation or discussion in their columns. Mr. R. M. Joseph, a leading member of the British Shanghai community, writes under date of May 25 last:

"The rising price of silver has never been known to injure this country. We have had very much higher prices before, and no outcry followed. Why should there be so much publicity on the returning value of silver when not a word of regret was uttered during its uninterrupted and engineered decline from 1920 to 1932?"

Meanwhile, India and the East are beginning to feel the beneficial effects of the rise in silver. On June 10th last M. Outrey, deputy in the French Chamber from Cochinchina, in the course of a public statement, said:

"Thanks to the fortunate rise in the world price of silver, the economic situation in the whole of Indo-China has shown a striking improvement of late. Owing to the rise, the Chinese dollar has already reached a value of 9 francs, with the happy result of improving considerably the sale price of our rice and of enabling our rice-growers to realise profits which were previously impossible."

To an outside observer, not the least entertaining feature of the situation has been the reception given by the financial and popular press to the steady rise in the price of silver bullion. They have all done their utmost to keep the topic of silver out of their editorial and correspondence columns, but the objectionable metal could not be suppressed in the Money Market reports. The naive surprise, almost incredulity, of certain organs when silver, despite their prophecies, continued to mount, was almost ludicrous.

When silver was quoted at 20d. an ounce, a leading financial journal was sceptical of its going a single penny higher; when it rose to 2s. an ounce the "Financial Times," the "Financial News," the "Economist," the "Investors' Chronicle," "Truth"—all the City experts—warned their readers that the process was alarming. At 30d. "scare-heads" broke out into the news columns of every daily in London, as if an unprecedented convulsion of nature had occurred.

Since then a "slump" has occurred. Yet any intelligent Wall Street broker's clerk could tell them that the price of silver must advance, save for passing trivial fluctuations, that it must inevitably mount upward to 40d., 50d., and finally to its old parity with gold of 5 shillings an ounce (\$1.29). This, to anyone who is aware of recent American legislation, Executive utterances and public opinion, is the only reasonable deduction, for the prospect of Congress repealing the Silver Act may forthwith be dismissed. Meanwhile, it is extremely unlikely in the process of rehabilitating silver, that the Treasury will consider the interests of speculators; and will always endeavour to secure the metal at the lowest possible price. This may prove disappointing to operators in the bullion market, but it is wholly in the interests of the American taxpayers.

As the "Statist," the only British organ which appears to understand the situation, remarked in its issue of July 13:

"The past week's events in the silver market do not mark any new development in American policy, but they show that this policy was conceived in the interests which, rightly or wrongly, are held by Washington to be those of the United States; and not as a gift to the speculator. . . . They show that the American authorities are not devoid of a sense of responsibility for the gigantic new factor which they have introduced into the world's silver market. . . . If the past few days have anything to teach, it is that we must count on a continuance of American purchases of silver, but that speculators should beware of making that programme a foundation on which to base their own operations."

To illustrate further the singular reticence which all representative bodies evince towards Silver, in the proceedings of the Congress of International Chambers of Commerce held in June in Paris, although monetary policy and currency stabilisation were debated, the topic of Silver was rigorously excluded. It is true that Professor Gregory in his address on stabilisation mentioned that America had

an "ace up her sleeve," a remark which later occasioned some resentment. He referred, however, to the possibility of a further devaluation of the dollar to 50 cents, which the President is authorised by Congress to effect.

But the winning ace is not up America's sleeve, but in her hand: and at the right moment she must play it. If the price of silver be raised to \$1.29 an ounce, the bullion value of the Indian rupee will rise above its present sterling value, and to prevent monetary chaos in the East the British Government will be forced to increase the gold value of the pound sterling, or to accept American proposals for international currency stabilisation. This is the card President Roosevelt might well play at the present critical juncture in world affairs: for it is difficult to see by what other means can stabilisation, so earnestly desired by the world's people's, be realised.

BECKLES WILLSON.

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